

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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Idaho County Growth Patterns: In the January 2000 *Idaho Outlook*, we reported that Idaho was the third fastest growing state in the nation from 1990 to 1999. In this issue, we narrow the focus of our demographic microscope and review where in the state that growth occurred. Of the state's 44 counties, 42 experienced population increases. The lion's share of growth took place in Ada County. This home of the state's capitol is also its most populous county. From 1990 to 1999, its population increased 77,627. By far, the largest increase in the state. It was more than twice as many as the first runner-up, Kootenai County, that expanded by 35,012. Rounding up the top five were Canyon (34,366), Bonner (9,449), and Twin Falls (9,390) counties. This ranking also shows how the bigger counties accounted for a huge share of the total growth over the decade. Ada County accounted for nearly a third of the increase, Kootenai County 14.3%, and Canyon County 14%. Combined, these three counties accounted for 60% of the state's total population gain. However, not all counties saw their populations rise from 1990 to 1999, Custer and Shoshone counties lost 44 persons and 277 persons, respectively.

Are we richer?: If "location, location, location" is the mantra for businesses, then the saying for consumers must be "spend, spend, spend." This has been especially true in recent years. By dipping into their savings and taking on more debt, Americans have spent money faster than they have been making it since 1993. One of the reasons offered for consumers' spendthrift ways is the so-called "wealth effect." Simply put, Americans feel richer so they spend more. Of course, this begs the question: Are Americans indeed richer than used to be? A recent study by the Federal Reserve sought to answer this question. Its findings were summarized by Dr. David Wyss of Standard & Poor's DRI and are reproduced in this *Outlook*. The bottom line is that Americans are indeed wealthier now. Specifically, median inflation-adjusted net worth climbed from \$60,900 in 1995 to \$71,600 in 1998. The primary reason for the gain was the soaring stock market. As measured by the Standard & Poor's 500 index, the value of the stock market nearly tripled from 1994 to 1999. The rising equity markets have also benefited a wider range of individuals. This is because investing has become so popular: the share of households owning stock has risen from just over 30% in 1989 to nearly 50% in 1998. Not surprisingly, the booming stock market has raised financial assets as a share of total household assets. In 1989, financial assets accounted for 30.4% of household assets, compared to 40.6% today. Within the financial assets, there has been a sharp increase in ownership of stocks, mutual funds, and retirement accounts. Together, these three categories accounted for 62.7% of all household financial assets in 1998, compared to just 41.8% in 1989. Offsetting this has been the decline in bank accounts. Transaction accounts and certificates of deposit have dropped from 29.3% of assets in 1989 to 15.7% today. While the wealth effect has fueled consumption, it has also made spending more vulnerable to the volatility of the stock market. This feature is extremely important when you consider the stock market is hugely overpriced by almost every popular measure of value. While the stock market has not yet suffered a serious correction, it has gone through a few white-knuckle drops. They serve as a reminder that the specter of a major correction remains over the stock market. Should it occur, Americans may no longer feel so rich, and spending could shrink as a result.

| | Population | | Population Change | |
|--------------------------|--------------|---------------|-------------------|------------|
| | July 1, 1999 | April 1, 1990 | Numeric | Percentage |
| Idaho | 1,251,700 | 1,006,734 | 244,966 | 24.3 |
| Ada County | 283,402 | 205,775 | 77,627 | 37.7 |
| Adams County | 3,787 | 3,254 | 533 | 16.4 |
| Bannock County | 74,881 | 66,026 | 8,855 | 13.4 |
| Bear Lake County | 6,561 | 6,084 | 477 | 7.8 |
| Benewah County | 9,066 | 7,937 | 1,129 | 14.2 |
| Bingham County | 42,127 | 37,583 | 4,544 | 12.1 |
| Blaine County | 17,326 | 13,552 | 3,774 | 27.8 |
| Boise County | 5,311 | 3,509 | 1,802 | 51.4 |
| Bonner County | 36,071 | 26,622 | 9,449 | 35.5 |
| Bonneville County | 81,536 | 72,207 | 9,329 | 12.9 |
| Boundary County | 9,977 | 8,332 | 1,645 | 19.7 |
| Butte County | 3,012 | 2,918 | 94 | 3.2 |
| Camas County | 865 | 727 | 138 | 19 |
| Canyon County | 124,442 | 90,076 | 34,366 | 38.2 |
| Caribou County | 7,273 | 6,963 | 310 | 4.5 |
| Cassia County | 21,573 | 19,532 | 2,041 | 10.4 |
| Clark County | 913 | 762 | 151 | 19.8 |
| Clearwater County | 9,359 | 8,505 | 854 | 10 |
| Custer County | 4,089 | 4,133 | -44 | -1.1 |
| Elmore County | 25,627 | 21,205 | 4,422 | 20.9 |
| Franklin County | 11,350 | 9,232 | 2,118 | 22.9 |
| Fremont County | 11,890 | 10,937 | 953 | 8.7 |
| Gem County | 15,145 | 11,844 | 3,301 | 27.9 |
| Gooding County | 13,743 | 11,633 | 2,110 | 18.1 |
| Idaho County | 15,030 | 13,768 | 1,262 | 9.2 |
| Jefferson County | 19,949 | 16,543 | 3,406 | 20.6 |
| Jerome County | 18,110 | 15,138 | 2,972 | 19.6 |
| Kootenai County | 104,807 | 69,795 | 35,012 | 50.2 |
| Latah County | 32,509 | 30,617 | 1,892 | 6.2 |
| Lemhi County | 7,978 | 6,899 | 1,079 | 15.6 |
| Lewis County | 3,943 | 3,516 | 427 | 12.1 |
| Lincoln County | 3,839 | 3,308 | 531 | 16.1 |
| Madison County | 24,806 | 23,674 | 1,132 | 4.8 |
| Minidoka County | 20,284 | 19,361 | 923 | 4.8 |
| Nez Perce County | 36,913 | 33,754 | 3,159 | 9.4 |
| Oneida County | 4,062 | 3,492 | 570 | 16.3 |
| Owyhee County | 10,406 | 8,392 | 2,014 | 24 |
| Payette County | 20,846 | 16,434 | 4,412 | 26.8 |
| Power County | 8,404 | 7,086 | 1,318 | 18.6 |
| Shoshone County | 13,654 | 13,931 | -277 | -2 |
| Teton County | 5,708 | 3,439 | 2,269 | 66 |
| Twin Falls County | 62,970 | 53,580 | 9,390 | 17.5 |
| Valley County | 7,858 | 6,109 | 1,749 | 28.6 |
| Washington County | 10,298 | 8,550 | 1,748 | 20.4 |

Welcome aboard. We would like to introduce our readers to DFM's newest staff member, Merri Helms. Merri will play an integral role in the production of the *Idaho Outlook* and *Idaho Economic Forecast*, and numerous other publications. The entire DFM staff looks forward to working with her.

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General Fund Update

As of March 31, 2000

| <u>Revenue Source</u> | <u>\$ Millions</u> | | |
|---------------------------------------|--|-----------------------------|------------------------------|
| | FY00 Executive Estimate ³ | DFM Predicted to Date | Actual Accrued To Date |
| Individual Income Tax | 892.2 | 594.9 | 607.6 |
| Corporate Income Tax | 99.3 | 61.7 | 68.9 |
| Sales Tax | 617.6 | 464.0 | 469.4 |
| Product Taxes ¹ | 15.8 | 11.8 | 11.9 |
| Miscellaneous | 83.4 | 46.7 | 52.5 |
| TOTAL GENERAL FUND² | 1,708.4 | 1,179.1 | 1,210.3 |

¹ Product Taxes include beer, wine, liquor, and cigarette taxes
² May not total due to rounding
³ Revised Estimate as of January 2000

General Fund revenues in March were \$13.3 million higher than expected. This brings year-to-date revenues to \$31.2 million above the predicted level. Virtually the entire excess for the month is in the income tax (both individual and corporate). Some strength in March sales tax collections was offset by weakness in miscellaneous revenue collections. All five major revenue categories remain ahead of their respective year-to-date projected levels.

The individual income tax was the standout performer in March, thanks largely to the apparent shift of refund timing due to accelerated tax return filing and processing. Over two-thirds of March's \$9.4 million excess was due to lower-than-expected refund payments during the month. This corresponds to the acceleration that gave rise to February's unusually large refund payments. In essence, widespread use of tax processing software and electronic filing are yielding an earlier peak in refund processing. Withholding collections were also quite strong in March, coming in a little over \$2 million higher than anticipated. This is consistent with recent major revisions in employment data for Idaho, and reflects the much stronger employment growth now being seen. This month's revenue brings the individual income tax to a level \$12.7 million ahead of the year-to-date target.

The corporate income tax was the second strongest performer in March, with collections \$4 million above projections for the month, and \$7.2 million over year-to-date. The gain for the month was primarily due to stronger-than-expected quarterly estimated payments. Corporate income tax collections are quite variable on a month-to-month basis, so it is difficult to draw any significant conclusions from March's strength. However, recently revised economic data point toward a better-than-forecasted performance for the entire fiscal year.

Sales tax collections were \$2 million higher than the March target, and are now \$5.4 million higher than the expected level for the fiscal year. This cushion is very welcome, since rising mortgage interest rates should dampen the demand for housing and the attendant durable goods purchases that feed this important revenue source.

Product taxes were on target in March and stand \$0.1 million ahead of the forecasted amount for the year to date. Miscellaneous revenues were off by \$2.1 million for the month, but stand \$5.8 million ahead of the year-to-date target. The March shortage was the result of earlier-than-usual repayment of Tax Anticipation Note (TAN) proceeds. Cash basis accounting for the interest associated with the TAN yields "lumpy" interest payment reports.